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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 28, NO. 5 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | March 6, 1989

MAGIC and Moore on Apparel

Bob Moore, the new head of men's and boys' wear at K mart Corp., is taking over a healthy segment of the discounter's business. For more on Moore and what he sees in store for fall 1989 and beyond, see *DSN*'s MAGIC show section (pages 27 to 34). Included in the special section is a look at what's on buyers' MAGIC shopping lists, a men's wear consumer survey and a pictorial look at men's wear at American Fare and other hypermarkets.

Venture Raises Profile Of Hard Lines Depts.

Expands Hardware, Automotives, Sporting Goods Mix

By Patricia K. Vandenack
Special to DSN

O'FALLON, Mo. — Venture, the $1.2 billion discount store division of The May Department Stores Company, has completed a chainwide remodeling of all hard lines departments in its 74 stores.

The remodeling, concluded early last month, expanded the stores' hardware, automotive and sporting goods departments with higher fixtures and the addition of 4,000 new items.

Venture executives said the expansion of the three departments is designed to make the stores more appealing to male customers and to make Venture more competitive with other chains that sell hardware, automotives and sporting goods.

"The expansion of the hard lines departments will attract new customers and provide more complete selections to current Venture shoppers," said Jim Davis, manager of hard lines merchandise presentation.

Construction and planogramming began on Jan. 2, 1989, and was completed in just five weeks. All hard lines departments had to be replanogrammed and adjacencies redrawn to make room for the expansion of the three departments, said Davis.

"We used to planogram on 54 inches," Davis said. "Now we planogram on 72 inches to increase our linear feet." As a result, all hard line gondolas were raised to 84 inches, creating a higher profile in the departments.

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Caldor Launches Upscale Gitano Shop-Within-A-Store Test

By Kenneth M. Chanko

EAST PATCHOGUE, N.Y. — In a one-store test that pushes upscale merchandise presentation in the discount store industry to new heights, Caldor has opened an 1,800-square-foot Gitano shop within its women's wear department.

The Gitano shop, which is configured to allow six openings in and out of the shop-within-a-store, was unveiled with no fanfare or special advertising on Feb. 10 at Caldor's unit in East Patchogue, N.Y., a Long Island suburb. A formal grand opening, with sweepstakes and promotions to highlight the Gitano shop, was scheduled for March 6.

For years the store-within-a-store concept has been used as an effective way for upscale department stores like Bloomingdale's to maximize sales of a particular designer like Ralph Lauren. However, the Gitano shop in Caldor is the first time the concept has been attempted at a discounter.

Gitano president Haim Dabah added that the manufacturer expects the Gitano shop-

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Gitano's new 1,800-square-foot shop-within-a-store in Caldor, East Patchogue, N.Y., is the first time a single vendor upscale boutique has been tried at a discounter.
(DSN photo)

K mart Widens Computer Shopping

Will Sell Merchandise on Interactive Prodigy System

By Arthur Markowitz

WHITE PLAINS, N.Y. — K mart diversified into both the electronic retailing and mail order business late last month when it began to advertise and sell merchandise on PRODIGY, the interactive computer shopping and information service.

K mart's decision to directly sell merchandise on PRODIGY was a change from its original plan, which was just to advertise on the service to draw shoppers to its stores.

The discounter's debut on PRODIGY came just as the electronic merchandising service started its national rollout by officially launching its operation at presstime in Detroit and Boston.

"Direct fulfillment is important to PRODIGY subscribers as the electronic retailer is designed to provide that service, so we decided to include direct selling, with the merchandise delivered by mail to customers," said Russ Jones, K mart's director of marketing support.

K mart signed on with PRODIGY "to learn about electronic retailing," he said. "We're looking at various modes so we can be competitive and see what works for us. If we want to make a commitment to this and to the mail order business we have to have a program to test."

PRODIGY plans to offer its service in New York by May and then Baltimore and Washington as part of its goal of a 12-market national rollout in 1989. The other seven markets haven't been identified.

The electronic retailer began operating last fall in Atlanta, the five California

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Sears Slashes Price Tags; Starts Chainwide Revamp

CHICAGO — Sears cut prices on over 50,000 items in its stores and catalogs on March 1, marking the chainwide launch of its much discussed everyday pricing program.

***Discount Store News* will profile Sears, the impact of its new Every Single Day Pricing merchandising program and the development of power departments like Brand Central in an in-depth report in its March 20 issue.**

Sears' repricing move and overall restructuring of its merchandising business, eagerly awaited by competitors, manufacturers and security analysts, came on the heels of the company reporting increased sales but lower earnings for its merchandising group, which accounted for about 60 percent of the company's $50.3 billion in sales last year.

The Sears Merchandising Group's volume, reported for the traditional retail fiscal year ended Jan. 28, amounted

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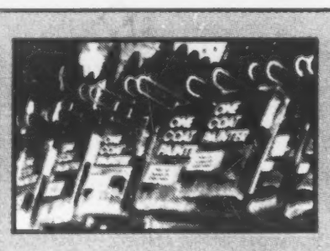

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MARKETWATCH

ShopKo Parent Sets $180M for Expansion

MINNEAPOLIS — ShopKo's parent, Super Valu Stores, has earmarked $180 million, or 38 percent, of its 1989 capital budget for 13 new ShopKo stores and a second Twin Valu hypermarket in Cleveland. One of the 13 ShopKos will be a replacement store, pushing store count to 99 from 87. The first Twin Valu opened late last month in Cuyahoga Falls, Ohio, a suburb of Cleveland, with the second due to open in Euclid, Ohio, in the spring of 1990.

S.E. Nichols' Deal Raises $4.1M

NEW YORK — S.E. Nichols has raised $4.1 million for general corporate purposes through the sale and leaseback of a warehouse used by its F.R. Schreiber wholesaler division. Schreiber supplies housewares and various other hard lines to Nichols and other retailers.

Telaction Plans Extended Reach

SCHAUMBURG, Ill. — Telaction expects its interactive cable TV shopping and information service to be available to about 165,000 homes in 39 Chicago suburbs by the end of the year, up from about 30,000 households in eight suburbs currently, Donald Gordon, executive director of consumer marketing, said at a Chicago Association of Direct Marketing seminar. While Telaction eyes a national rollout in 1990, its parent, JCPenney, continues to study options for the service, including selling an interest to another company.

GE Releases Software for EDI Network

ROCKVILLE, Md. — GE Information Services has released two enhanced software programs for EDI*EXPRESS System, its electronic data interchange network. Version 5.0 of The EDI*PC System provides a number of new features, such as customizing of documents, for the software used to run the EDI network. Version 7.0 specifically enhances the Administrative Systems software through new formats: expanded selection criteria for reports and a news feature that provides information about the EDI network.

Office Club Sales Jump; Losses Continue

CONCORD, Calif. — The 3-year-old Office Club reported a 376 percent jump in sales last year from $10.9 million to $52.1 million as it tripled its store count to 15 units. Preopening expenses related to that growth, however, were cited as the key factor for the chain's $3.2 million loss, up 39.1 percent from a $2.3 million loss in 1987. Office Club expects to open 12 units this year, mostly in current West Coast and Colorado markets.

Study Calls for UPC Codes on Coupons

CHICAGO — Manufacturers should put UPC codes on redemption coupons so they can be scanned to reduce misredemptions. That's the recommendation of the Food Marketing Institute/Grocery Manufacturers Association Coupon Scanning Task Force, which reported that a study conducted by Information Resources Inc. determined that 7.1 percent of coupons are misredeemed at checkout.

McCrory Appoints New CEO, Prez

YORK, Pa. — The Riklis Family Corp. has appointed new top officers for McCrory Stores. J. Philip Lux was promoted to chairman and chief executive officer, while Robert Spencer, who had been executive vice president, store operations, succeeds Lux as president and chief operating officer. McCrory operates 1,300 variety stores in 38 states and the District of Columbia.

AI System Hires Management Horizons

DUBLIN, Ohio — Management Horizons, a Price Waterhouse division, has become a "preferred consultant" for the ARTHUR merchandise planning system. 54 North Ltd. markets ARTHUR, an artificial intelligence merchandising system that develops total dollar and specific unit merchandise and assortment plans along a time line and within a season for chains and for individual stores.

FOR THE RECORD

DSN's report on Wal-Mart's expansion in the greater Chicago area (Feb. 20, page 1) should also have included stores in Joliet, Ill., which is in Will County on the fringe of the market. Wal-Mart opened a Sam's Wholesale Club in Joliet late last year and will unveil a discount store next door this spring. These units raise the company's projected store count in Chicago to at least nine Wal-Marts and three Sam's.

American Wholesale Retrenches, Realigns After Rising from Chap. 11

By Peter Hisey

PLANO, Texas — Less than a year ago, American Wholesale Club was a thriving four-store chain of membership warehouse clubs which had just expanded to the Chicago market.

Today, after a nearly disastrous stint in Chapter 11, the company is reduced to its original single location here and faced with a struggle to keep its doors open.

Jeff Zisk, company president, noted that American Wholesale has a lot going for it.

"We emerged from Chapter 11 in record time [six months] and we have the valuable support of nearly all of our key vendors," he said. "We've rethought our business," he added, "and asked ourselves, 'what should customers see when they first walk in the door?' "

The result is a slight realignment of departments, with apparel moved out of its front and center location in the store and replaced by business products and supplies. Books were shifted from the left side of the store to a low display directly in front of business products, resulting in a 30 percent rise in book sales without detracting from the business products presentation.

The company has added two major new product groups: alcoholic beverages (beer and wine only, due to Texas state laws), and an optical shop. It has also added a custom-order leather furniture department.

About the changes, Zisk allowed that American Wholesale may have been "misrepresenting ourselves to our business customers. The first things customers saw when they walked in the door were apparel, jewelry and consumer electronics—all consumer products."

Zisk said that, by placing typewriters, computers and fax machines up front, business shoppers would get a more immediate impression of American Wholesale's real product concentration.

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Ames Fields Offers for Murphy

PITTSBURGH — Ames Department Stores confirmed that it is fielding offers for its G.C. Murphy variety store division.

Ames spokeswoman Catherine Leonard told *DSN* that a leveraged buyout bid from a management group headed by Garry Brown, general manager of the 137-store Murphy division, was one of several offers submitted to Ames' investment banker, Wertheim Schroder, based in New York. "I don't know how many offers were made," Leonard said. "There have been a number."

One of those other offers, according to published reports, came from McCrory, the 1,300-unit variety chain.

"We have a responsibility [to shareholders] to look at any offers we receive," added Leonard. She said that as a separate, distinct business unit within Ames, the Murphy division could easily be split off without affecting other operations. The division includes two relatively small specialty chains: Office Shop Warehouse and Bargain World.

Stationery Depts. Set for Upgrade

Execs Cite Home Office, Better Quality, Fashion Goods

By Richard C. Halverson

NEW YORK — Retailers are expanding and upgrading stationery offerings to capitalize on the burgeoning home office market and the willingness of consumers to spend more for higher quality and more fashionable products.

That's the major conclusion to emerge from a seminar, "Marketing Update '89," presented during the Back to School Show, Feb. 11 to 13 at the Javits Convention Center here.

The seminar drew some 200 buyers and exhibitors to a presentation with panelists: Larry Fine, divisional merchandise manager, Jamesway, Secaucus, N.J.; Steve Appel, founder, partner, Office World, Great Neck, N.Y.; John Kinzi, director, general merchandising, Drug Emporium; Lance Clark, merchandise manager, Snyder Drug; and Don McAllister, stationery buyer, Kerry Drug Stores.

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DSN publisher Fred Filer (left) with Steve Appel, founder and partner of Office World, Great Neck, N.Y., on 'Marketing Update '89' panel at the Back to School Show.

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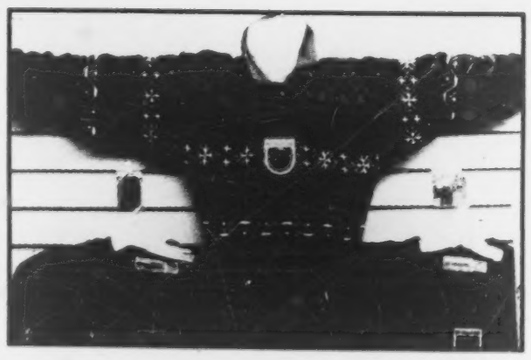

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DSN **INSIGHTS**

MEMBERSHIP WAREHOUSE CLUBS

Clubs Grow Faster; Eye $18B

By Arthur Markowitz
Nationwide DSN Report

The membership warehouse business this year will outpace its past explosive $2 billion to $3 billion annual sales growth, ironically aided in part by one of the industry's most successful clones—the office supply megastore.

This spin-off concept has increased the awareness of low-cost, warehouse-type merchandising of office supplies to a wider audience.

Spurred by the four wholesale clubs with billion-dollar-plus sales, the industry's annualized volume this year is expected to hit about $18 billion, up about 30 percent from about $14 billion in 1988.

The Big Four—Price Club, Sam's Wholesale Club, Costco and PACE—last year accounted for about $11 billion in sales—slightly less than 80 percent of the entire industry.

The $4 billion sales gain will come from both the maturing of the 48 membership warehouses opened last year and the approximately 70 new stores projected for this year. Overall unit count should rise to about 380.

Top Membership Warehouse Clubs

Chain	Sales (In Millions) 1988	Sales (In Millions) 1987	Percent Change	Earnings (In Millions) 1988	Earnings (In Millions) 1987	Percent Change	Number of Stores 1/89	Number of Stores 1/88	Number of Stores Proj. 12/89
Price Club[1] San Diego, Calif.	$4,053.4	$3,236.3	25.2%	$94.8	$73.3	29.3%	41	37	51
Sam's Wholesale Club[2] Bentonville, Ark.	3,900.0*	2,711.0	43.9	NA	NA	—	105	84	127
Costco[1] Seattle, Wash.	1,988.7	1,370.0	45.2	14.4	5.1	182.4	50	43	60
PACE[2] Aurora, Colo.	1,285.0*	939.6	36.8	8.3*	7.7	7.8	39	32	46
BJ's Wholesale Club[2] Natick, Mass.	800.0*	580.0*	37.9	NA	NA	—	22	19	26
Price Savers[3] Salt Lake City, Utah	550.0*	300.0*	83.3	NA	NA	—	13	12	16
The Wholesale Club[2] Indianapolis, Ind.	402.0	271.1	48.3	3.0*	(0.8)	—	18	15	24
Makro[2] Cincinnati, Ohio	375.0*	300.0*	25.0	NA	NA	—	6	4	10
Warehouse Club[4] Niles, Ill.	249.1	223.4	9.1	(0.2)	(0.6)	—	12	12	12
Buyer's Club[2] Englewood, Colo.	100.0*	100.0*	0.0	NA	NA	—	4	4	5

[1]*Fiscal year ended August 1988*
[2]*Fiscal year ended January 1989*
[3]*Fiscal year ended December 1988*
[4]*Fiscal year ended September 1988*
**estimate*
NA—not available
Source: company reports

More Awareness of Industry

The growth in dollars and stores, in turn, reflects the greater awareness among businesses and consumers of the industry and its low-cost merchandising. Clones that have imitated the wholesale club concept in other retailing fields like sporting goods and office supplies have helped spur this knowledge. This is especially true among users of office supplies like small businesses and those who operate a home office.

Wholesale club and office supply megastore executives assert that in reality the two marketers currently are synergistic merchants, rather than direct competitors for the office supply business. Each uses a different merchandising program to try and carve out a major share of the $100 billion office supply market, a business that continues to grow faster than the 5 percent to 6 percent growth rate of the gross national product.

But PACE president Charles Steinbrueck warned that "in three or four years office supply megastores could start to cannibalize membership warehouses' office business and take away sales," just as wholesale clubs "were the first to take away business from office supply houses and impacted that industry."

Membership warehouses "need to change and adjust their business to new competition as it arises. Those retailers who don't change are in a sense self-liquidating without the knowledge that they are doing so," he added.

'In three or four years office supply megastores could start to cannibalize membership warehouses' office business and take away sales.'

—Charles Steinbrueck, president, PACE

Membership warehouses typically merchandise 130 to 150 office supply/office equipment sku's, selecting the key items that they believe will satisfy the basic office needs of most businesses. Office product wholesalers merchandise a much broader assortment, 2,000 to 7,000 sku's, that these retailers expect will fulfill all the needs, on an ongoing basis, of small businesses that employee up to as many as 100 workers.

At first glance, membership warehouses and office supply warehouses seem to be battling for the same business: that of low-cost supplier of office products to small businesses. Wholesale clubs, in fact, had a lock on that market before the advent of the office supply megastore.

The dozen and a half office product warehouses that have opened approximately 150 units during the past three years, mostly in metro markets that are home to wholesale clubs, often spot their megastores near by and even adjacent to membership warehouses.

However, office supply wholesalers, despite a growth rate that has mirrored that of the membership warehouses, presently account for only about $300 million of the office supply market. While membership warehouses don't specifically report the office supply portion of their sales, lumping these figures in with other categories, this business is estimated to account for 5 percent to 7 percent of the industry's volume or about $700 million to $980 million.

Membership warehouse's higher volume hides another difference between the two marketers: sales of office supplies to two different types of small businesses.

Office supply warehouses direct their business to "white collar" companies, small concerns like law firms, accountants, consultants and home office businesses.

Wholesale clubs address their operations to both "white collar" firms and "blue collar" businesses like restaurants, cafeterias, bakeries, service stations and small contractors, enterprises that use manual labor to supply goods and services to consumers and/or other businesses.

It could be said that office supply megastores have had a favorable impact on membership warehouse clubs—as they have greatly increased the public's awareness of the availability of office supplies at low cost, compared to traditional office products stores.

Office supply megastores have had "a favorable impact" on membership warehouses clubs because they have greatly increased the public's awareness of the availability of this merchandise at low cost, compared to traditional office supply stores, PACE's Steinbrueck said. About a dozen PACE units have office supply superstores as neighbors and "our office goods business in these units has actually increased with this competition."

A Price Club spokesman described office supply warehouses as "a different twist on the office supply business. The bottom line, however, remains who can provide the best quality products at the lowest price to businessmen, and membership warehouses continue to do this."

Office product warehouses are wrong if they consider wholesale clubs as their competition, added Price Savers president Tom Grimm. "Their concern should be traditional office supply houses as they can show a price advantage against these stores. We're better priced than the office clubs."

Businesses will use a membership warehouse "as their basic source of goods and then fill in from office clubs," said Thomas J. Geisse, senior vice president, marketing of The Wholesale Club. "They will use us first because of our lower prices and because we are more convenient and save them time by offering them the core supplies they need."

A BJ's Wholesale Club executive added "membership warehouses are different than office clubs. We offer businessmen a broad assortment of goods for their business and personal needs. We don't compete, we're synergistic."

The office supply megastore

(Continued on page 14)

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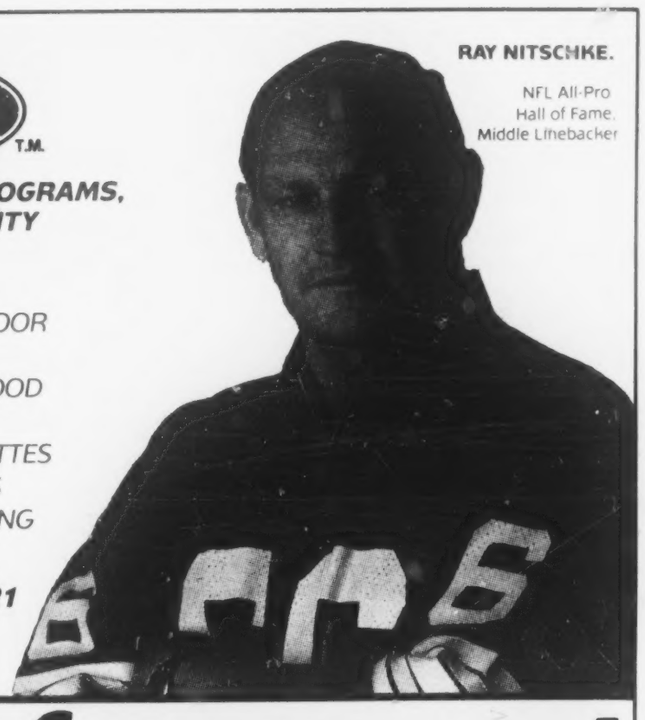

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Performance!

American Wholesale Retrenches, Realigns After Rising from Chap. 11

(Continued from page 2)

Although Zisk said that office warehouses like BizMart haven't reached the northern Dallas region yet, the realignment was at least partly inspired by that potential threat to American Wholesale's customer base.

"We want to make sure that our members know we're the best source for business electronics, and that we have the best price," he said. "We may not offer all the services an office club does, like delivery and phone orders, but we offer the best price."

Similarly, though Zisk contends that Dallas' two hypermarkets are too far away to affect his business, Hypermart USA's optical shop "brought the idea to our attention."

In other post-Chapter 11 realignments, American Wholesale has beefed up its computer supplies selection, nearly doubled its furniture offering, increased its produce section, and introduced "Restaurant Alley," an aisle dedicated solely to a selection of goods most required by restaurant customers, including paper supplies, No. 10 cans of vegetables and condiments, and so on.

Also, the company is in the process of installing high-profile aisle banners to help customers shop quickly and easily. Nearly all of these changes are aimed specifically at appealing to business customers, who account for 65 percent to 70 percent of sales, according to Zisk.

One of the company's most dramatic moves, however, seems to violate a cardinal rule of warehouse club retailing. The company now accepts Visa and MasterCard, normally shunned by warehousers as too costly, given their skeletal margin structures.

Zisk said, however, that the company had negotiated a "very favorable" rate with the credit supplier, and that purchases on the cards average 60 percent more than cash and check transactions, more than making up for the increased cost of doing business.

Similarly, American Wholesale introduced its first circular at Christmas. Another 24-page flier is due this spring. Zisk said the fliers were necessary to "get the message out that we're still in business."

Vendors have picked up most of the cost of the circulars, which feature new products and stress business applications. The company is also producing a series of radio and TV ads, which will run for one week only this spring.

The company has also increased its H&BA selection, particularly in most-wanted brand names. "Normally, the margins just aren't there for these products," Zisk noted. "But we've found that selling two- and three-packs of large sizes builds the ticket up enough to make money."

"We're getting a second chance," Zisk said, "and most people don't get that opportunity. We have a chance to learn from our mistakes and put what we've learned into effect."

And what were those mistakes?

Entering Chicago, where The Warehouse Club had already failed, may have been the biggest one.

Although Zisk contends that the locations and concept were both good and that the company just ran out of time, he conceded that American Wholesale ran into a "Warehouse Club hangover. Customers thought we were just the same bunch with a new name, and we didn't have enough time to turn them around."

The company may also have been thrown off guard by the ease with which it built a successful business from scratch. "In the formative years [of the warehouse club industry], we all did great," Zisk noted. "Price was the key, and we had it."

The market has changed since then, and warehousers have to do a better job of merchandising, he added.

The most important variable, Zisk claimed, was a series of actions by competitor Sam's Wholesale Club, which opened a unit one mile up the road from American Wholesale about two years ago. The company contends in a multi-million dollar lawsuit, that Sam's competed unfairly and operated in a way meant to put American Wholesale out of business.

"First of all, why open up so close to us?" Zisk asked. "There were plenty of locations in this area."

More damaging, however, was an announcement Zisk contends was made in the nearby Sam's last April, celebrating American Wholesale's bankruptcy and both congratulating associates and thanking customers.

"That was 60 days before we went into Chapter 11," Zisk noted, "and our credit and sales dropped off immediately. Our new membership sign-ups were cut in half."

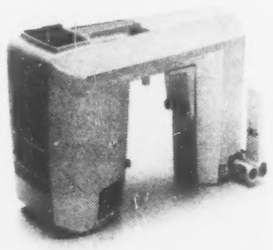
The suit is still in the discovery stage, and is not expected to see a courtroom soon.

For now, the company will "put more emphasis on defining our image. We're still a little too piecemeal, but we'll pull it all together in the next few months," Zisk said. "There will be some expansion in some departments, but mainly we're going to refine our mix."

The company has named John Matera, a former Joske's executive, as vice president of finance, and Zisk said a couple of major appointments are upcoming.

"When you're in Chapter 11, it's tough to be a good merchant. But the warehouse looks better than it ever did, and our customers are coming back. We're focusing on our assortment and our associates, trying to make our members only want to shop at American Wholesale Club."

Find out what's creating all the stir.



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Clubs' Super Growth Continues

(Continued from page 13)

concept "grew rapidly because Wall Street likes these retailers and has been heavily financing these ventures," Buyers Club president Ken Bagus noted. "They are an attractive idea in inner-city areas where it's difficult to find the 12 acres for a membership warehouse."

Office Depot chairman and chief executive officer David I. Fuente agreed that the office supply warehouse concept currently is a big hit on Wall Street. "Wall Street, venture capital and vendor credit has helped to finance the industry," he said.

H.Q. Office Supplies Warehouse "aims to match membership warehouse's prices, but I don't think we are going to hurt them," said Brad Tukey, president of the just-launched megastore chain. "Office supply is a fragmented field, with most of the business done by independent retailers," he explained.

But both megastore chain executives implied that the membership warehouses' merchandising left lots of room for office supply megastores. They specifically challenged the idea that wholesale clubs met the basic office needs of small firms and home office businesses through their limited assortment and limited continuity of items.

Fuente said that membership warehouses' approximately 200 sku's of office supplies "have hit the top items, but this assortment is a far cry from the 20 percent of the office supplies that really account for 80 percent of the industry's volume."

Tukey pointed to the Office Club's public filing late last year in which that office supply super store reported that it took 650 sku's (out of 2,200 sku's) to account for 85 percent of the chain's sales. He added that there were voids in the wholesale clubs' marketing of office furniture and equipment like fax machines and telephones that left sales openings for office supply warehouses.

Steinbrueck said that adding sku's was just one possible membership warehouse response to any future challenge from office supply super stores. Another possibility was developing services geared to the specific needs of small businessmen.

The Price Club spokesman said office supply warehouses were competitors "just like traditional office supply houses and lots of other merchants and I don't see any specific need for us to change our business or add services."

Grimm added that "we operate on volume and efficiency and if we expand our sku's we lose our efficiency. Right now I'm satisfied with where we are focusing our office merchandising."

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Dockers-Look Pants Catch On at Discounters

Nationwide DSN Report

While denim jeans continue to be the most popular casual bottoms option for most men, the dressier all-cotton or cotton-blend slack is becoming an increasingly attractive alternative.

In a consumer survey conducted last month by Leo J. Shapiro and Associates, Chicago, for *DSN*, nearly one in three males (31 percent) said they will definitely or probably buy casual cotton slacks.

Prior exposure to these new, Dockers-style slacks increases interest in purchasing them, the survey found. Among consumers who said they have heard about or noticed Dockers—the heavily advertised slacks from Levi Strauss—41 percent said they are likely to buy cotton slacks in the coming year.

The slacks were described to the 450 household national sample as follows: "Recently, some clothing manufacturers have come out with some slacks for men that are more for casual wear but are a bit dressier than jeans. They often come in all cotton and have pleats in the front. They can come in many different colors, including tan."

When men and women were asked whether over the next year "there is any chance that you may be shopping for men's cotton or chino slacks," one in four (25 percent) said "yes," 68 percent said "no" and 6 percent didn't answer.

When asked the same question about jeans, more than one in two (55 percent) said "yes," they would be shopping for jeans over the next year.

Nearly half of the respondents (44 percent) said that they have heard about or noticed these slacks, and four in ten said these slacks "sound interesting."

They expect these slacks to be comfortable (21 percent) and versatile ("can be worn for dressy or casual wear"—14 percent). Among consumers who are likely to buy these slacks in the coming year, 41 percent are attracted to their comfort, 24 percent like their versatility and 21 percent like the pleats. Cotton blends (52 percent) are slightly favored over all cotton (40 percent).

Although few men (4 percent) spontaneously named Dockers as one of the brand/designer names carried on the product, more than one in three (39 percent) said they have heard of Dockers when asked directly. And one in four who have heard of Dockers associate them with Levi's.

The highest percentage of men (35 percent) said they expect to pay $20 to $30 for casual cotton slacks, with 30 percent expecting to pay $30 to $40.

Only 7 percent of all respondents said they would most likely purchase cotton slacks at a discounter. The most popular men's wear item likely to be purchased at a discounter is jeans (11 percent), with knit tops (8 percent) the next most likely purchase.

Tan/brown (40 percent) was the clear color preference in the Dockers-look slacks, with the next most popular color being blue (21 percent). After that came white (11 percent), gray (8 percent) and black (8 percent).

Consumers are generally satisfied with the current styles in casual slacks, particularly women. When asked how they felt about the men's wear styles, 41 percent of the women and 34 percent of the men said it's better compared to past seasons. They attribute the better looks to the "different styles" available (21 percent) and to brighter/more variety of colors (18 percent). Of those who said the styles were worse this year, most complained that the clothes were too baggy (33 percent).

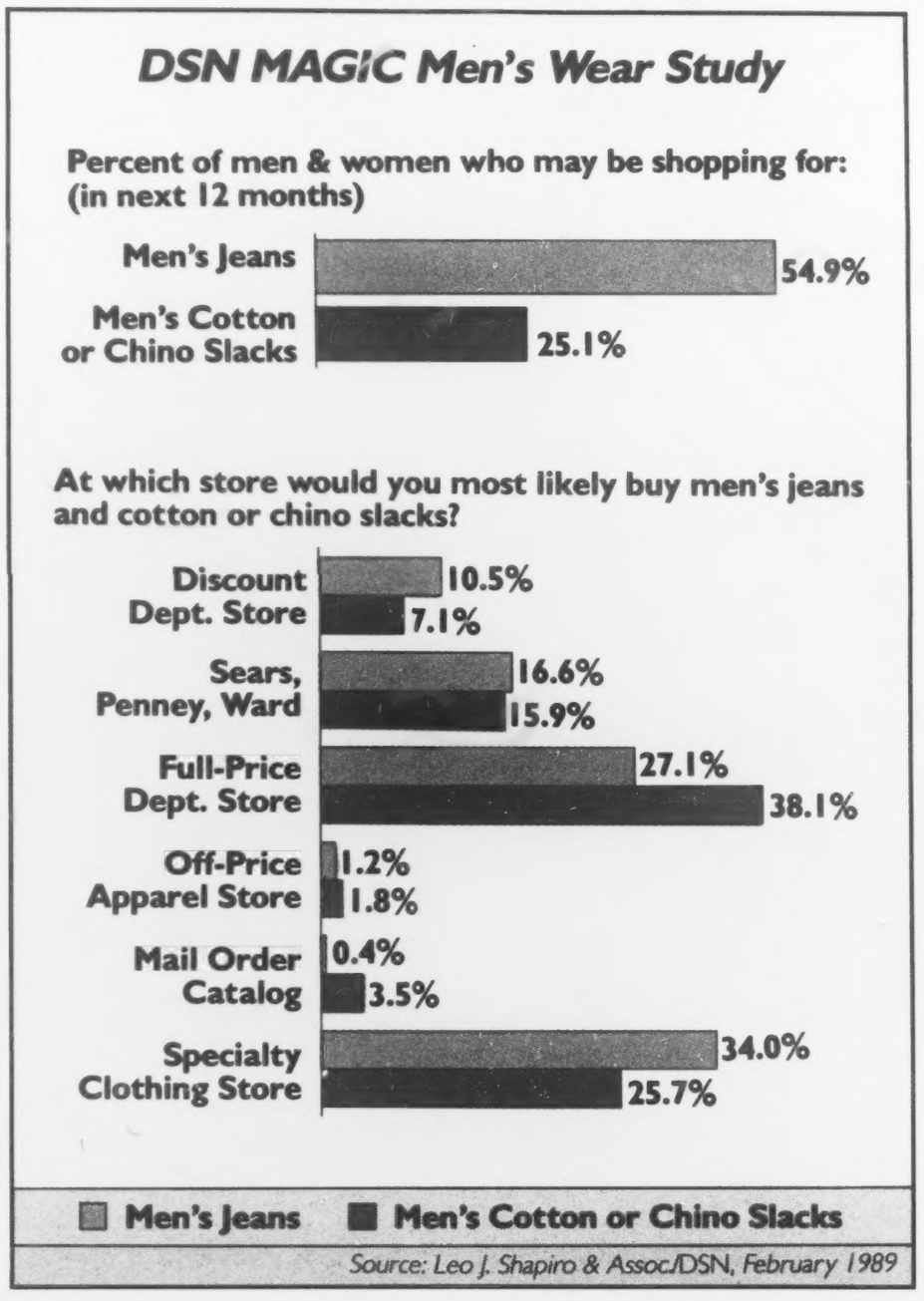
Probably one of the biggest differences between jeans and casual slacks in the consumer's mind is the degree of brand association. When asked, "What label or brand do you associate with men's cotton or chino slacks" (asked before the questions about Dockers), no brand/label was named by more than 1 percent of the respondents. Yet when asked the same question about jeans, 53 percent said Levi's, 12 percent said Lee and 6 percent said Wrangler.

Because the Dockers-style bottoms are dressier than jeans, the most popular retail segment from which consumers will buy casual slacks/chinos is full-price department stores (38 percent). Discounters were named by just 7 percent as a likely place to purchase the product.

When it comes to an individual chain from among the discounters and mass merchants, JCPenney (8 percent) is the most popular outlet for casual slacks/chinos, with Sears (5 percent), K mart (4 percent), Montgomery Ward (2.7 percent) and Wal-Mart (2 percent) following.

For jeans, Penney (9 percent) is also the most popular chain from among discounters and the mass merchants, but discounters in general are more popular destinations for consumers who want jeans rather than casual slacks.

As part of the survey, general questions were asked about ownership of men's wear. The survey showed that the majority of American males already own at least one dress shirt (87 percent), one pair of dress slacks (84 percent) and jeans (84 percent). Just over half (55 percent) own shorts, while slightly fewer own casual cotton slacks/chinos (42 percent) and knit shirts (41 percent).



Hot Jean Maker's Name Spreading

Brittania Inks Licensing Agreements; Shipments Begin

NEW YORK — The red, white and blue Brittania signature and logo is spreading from jeans to outerwear, underwear, footwear, ties and accessories.

Brittania, a division of Levi Strauss and makers of one of the discount industry's hottest branded jeans programs, has inked several deals to license the Brittania name on a number of other apparel items.

"We believe the Brittania name is remembered by women who wore their jeans many years ago, and is being accepted by the newer juniors' market that is now getting acquainted with Brittania," said Leon Sokoloff, who is directing the marketing of a collection of 100 percent cotton women's bikinis and briefs being produced by Nantucket Industries, New York, under the Brittania logo.

"It's a department store line in quality and presentation, at mass merchandiser prices," added Steve Samberg, also of Nantucket, who is in charge of the men's underwear program.

Other new Brittania licensees are Aberdeen Sportswear, which is making Brittania outerwear; Wemco, ties; Pagoda Industries, footwear; and Humphreys Inc., accessories.

Brittania outerwear for men will begin shipments to stores in June, said Joel Stoltz of Aberdeen. The fall 1989 selection includes bomber jackets and parkas in 100 percent cotton canvas and soft brush twill, washed nylon, corduroy and denim. The liner weights range from lightly brushed flannel to quilted and sherpa. The jackets will retail at between $39.99 and $65.

Aberdeen is currently Levi's outerwear licensee. "We share with them the belief that the discount stores will become a more important force in retailing and that we need a branded vehicle like Brittania to share in the upscale part of their [discount stores] growth," Stoltz told *DSN*.

Howard Orne, president of the Hillcrest division of Wemco, said the Brittania ties have already been shipped to discount chains, such as K mart, Target, Harts and Meijer. Retailing at between $7 and $11, the tie selection includes a wide range of fabrics, from synthetic to natural fibers, and a diversified mix of styles, from narrow ties for young men to wider ones for older customers.

The Brittania men's underwear will start shipping this month and will be on store counters by April. Samberg of Nantucket reported that $4.5 million in orders have already been written with 10 major discount store chains. The company projects it will ship $120 million of Brittania men's underwear this year.

The opening line of 13 different colors includes knitted low-rise and string bikini briefs in 3-packs, retailing for about $9, and an assorted woven boxer short program, retailing at about $4 each.

The women's collection consists of a twist on the men's wear look with fashion basics in both bikinis and high-leg briefs. Fashion coordinates include T-back and U-back crop tops, string bikinis, string briefs, high-leg briefs and knit boxer shorts. The bottoms use wide waistband elastic with the Brittania logo and colors are mostly medium to bright pastels. Retail prices range from $2 to $2.25 for bikinis, $2.50 for high-leg briefs and $4 for crop tops.

The footwear is a sporty line of athletic shoes with a Reebok look; and the accessories are a wide selection that complement both the Brittania basic jeans and Brittania's Docker-look Brittgear line.

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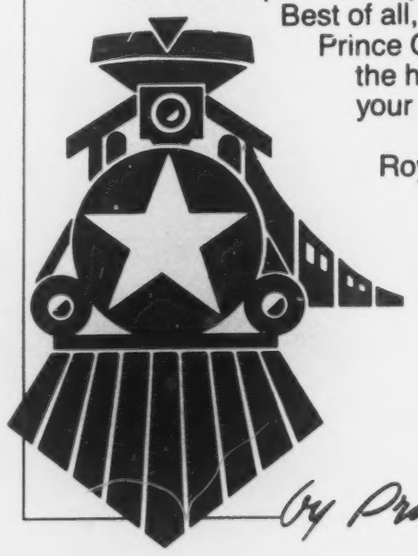

Royalle®
by Prince Gardner

Caldor Launches Upscale Gitano Shop-Within-A-Store Test

(Continued from page 1)
within-a-store will be installed in two other discount chains before year-end.

"We're very excited about it," said Marc Balmuth, president of Caldor, one of May Department Store Company's discount store divisions. "Even in its first week, before the grand opening, it's ahead of our plan."

Balmuth added that Caldor "sells a lot of Gitano, but we didn't think we were maximizing sales by selling it by classification. This [the Gitano shop] is a much better environment for it."

"Our customers are overwhelmed," said John Greaney, store manager of the East Patchogue unit. "They're also very surprised to see a shop like this in a Caldor."

Greaney added that sales from the Gitano shop over the three-day President's Day weekend were "better than expected. It is one of our leading departments."

Dabah, president of The Gitano Group, the women's wear manufacturer, said, "The key is that with this kind of fun, exciting merchandise presentation, Caldor can sell more product at regular prices and can generate multiple purchases. A lot of people who walk into the shop are coming out with more than one item."

Dabah added, "Average sales per square foot at Caldor is about $139. We're looking very conservatively at $250 per square foot for that shop. It could go as high as $350, but we'd be satisfied with $250. The gross margins yielded from those sales will be substantially higher than comparable square footage sales from other areas of the store because it's coming from regular full price—not off-price—business."

Frances Lutz, Caldor's store level department manager for the new Gitano shop and women's wear, said of the shop, "The customers love it. And it's really spruced the place up. It's like a diamond in the middle of the store."

Located just off to the right of the store's entrance, the Gitano shop makes an immediate impression as shoppers walk through the door.

Five video monitors, which play Gitano runway fashion shows with contemporary music on the soundtrack, are on a trestle above the front entrance to the shop. Three of the monitors sit on a neon-red Gitano sign in large block letters. There are six other monitors scattered throughout the shop, along with about a dozen double-sided light boxes.

Practically every rack has a sign, and there are several lifestyle graphics (mannequin-like cutouts on which the apparel is fitted) highlighting the more contemporary merchandise. Gitano banners will be added before the grand opening, Dabah added.

Greaney said that 90 percent of the Gitano product Caldor carries is now in the shop. Gitano men's wear, maternity, plus sizes and basic jeans are in their normal apparel departments.

The space the Gitano shop now occupies had been two islands selling women's sportswear and outerwear, said Greaney.

Merchandise in the shop includes junior and missy jeans and sportswear, underwear, and accessories. The items run as high as $29.99 for a novelty lycra stretch acid-washed jean with a belt. A bodywear rack will be added soon, said Dabah.

Other higher fashion Gitano products, which Caldor wasn't carrying until now, are also being sold in the shop. For example, a separate rack of Choices by Gitano, a coordinated line of knit sportswear for "modular dressing," is now being sold in the store. Dabah said that up until now, the Choices line had only been available at Gitano's own retail stores.

The line has been one of the shop's biggest sellers—30 percent of the Choices stock sold out during the first weekend, he added.

The design of the shop and the fixturing has been lifted from Gitano's retail stores with very few modifications, said Dabah. "Our retail team developed the prototype, got it approved by Caldor management and set it up," he said. "It was like opening a small new Gitano retail store."

Dabah said that Caldor management "identified to us their objectives—their margin objectives, their turn objectives. Since we're also in the retail business, we had a good idea of how to go about it."

Dabah added, "The important thing here is that there has to be an unequivocal level of trust between the retailer and the manufacturer."

While business at the new shop in its first two weeks of existence has been better than planned, both Caldor and Gitano emphasized that the shop-within-a-shop is still just a test.

"With discount stores in general, there's more of a difficulty maintaining a shop like this," said Balmuth. "All issues of running a shop like this are going to be evaluated" before a chainwide rollout, he added.

Dabah said that Gitano executives from the retail segment are training the sales people at Caldor. He added that "we may share certain staffing costs with Caldor during peak hours."

Dabah added, "For example, an additional Caldor associate may be put on for a Friday or Saturday night. That associate's salary would be partially paid by Gitano, something like the way cosmetic departments are run in department stores."

Dabah said, "We have to evaluate these costs and our retail investment."

PACE Offers New Member Services

(Continued from page 3)
Mail, a national mail order pharmacy service, as its pharmacy vendor, rather than open an in-store department as other membership warehouses have done. "Our study found that a mail order pharmacy service offered members lower prices than if PACE ran an in-store department," Steinbrueck said.

Members call a toll-free number to order either brand name or generic drugs at savings of up to 40 percent. Prescriptions and refills can arrive within three days, but a week to 10 days is the usual time, so the service is mainly being used to obtain maintenance drugs.

PACE is testing new produce fixtures that cost less than metal units while providing a more attractive display. Fruits and vegetables with a long shelf life are stocked on the fixtures. Perishables like lettuce, cabbage and cauliflower are merchandised in the refrigerator.

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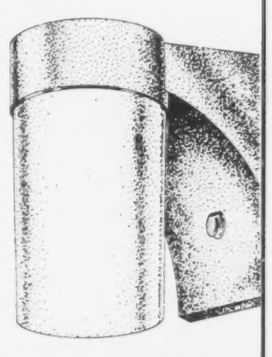

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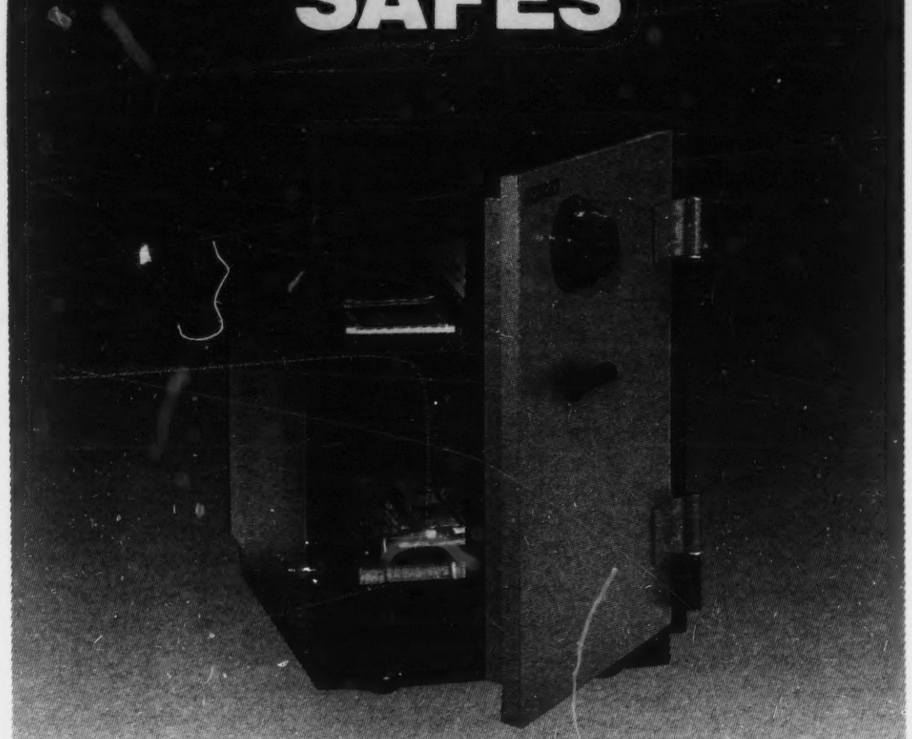

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DISCOUNT STORE NEWS
(ISSN 0012-3587), is published biweekly—every other Monday—24 times a year except issues of April 24 and Aug. 7, which are published every third week; monthly in December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscriptions are available at no charge to qualified retailers and wholesalers. Paid subscriptions are available to manufacturers and their reps, schools, libraries, govt. agencies and all others—one year, $35; Canada: one year, $37; Foreign subscriptions: Airmail only, $175 (U.S.$) per year. Single copy rate, $2, except annual census issue, $20.

Second-class circulation postage paid at New York, N.Y., and additional mailing offices.

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Vol. 28, No. 5 March 6, 1989

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